

# GREEN BOND FRAMEWORK



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Green Bond Framework prepared by: Credit Management Group



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# 1. Introduction

Vöröskő Ltd. intends to issue a HUF 7 billion (cc. 19 M EUR) HUF-denominated Green Bond in the frame of Bond Funding for Growth Scheme (BGS) launched by The National Bank of Hungary. The Green Bond will finance energy efficiency projects including primarily the acquisition of rented stores, building of new stores, as well as the robotization of warehouse in Üllő and Budapest office purchase projects.

Vöröskő Ltd. has given an unconditional guarantee for the fulfilment of the liabilities represented by the Bonds. The fund will be used for the implementation of investments focusing on the optimization of business model considering energy saving and GHG emission.

The present Green Bond Framework has been compiled in alignment of the ICMA Green Bond Principles (GBP) June 2021 with reference to the Sustainable Development Goals edited by the United Nations (SDGs).

## 1.1. Corporate structure and business model



1. Figure Company history

Company: Vöröskő Ltd. is selling technical products for mostly B2C customers. Vöröskő Ltd. is the exclusive user of the „Euronics” brand in Hungary, which is the world’s largest consumer electronics retail group and one of the Company’s affiliate (Dyras Ltd.) is the exclusive user of the „Dyras” brand in Europe. Dyras is an internationally registered private label brand for household appliances, consumer electronics and wellness/body care products.

Vöröskő Ltd. is a solely Hungarian-owned large corporation with a market share of 17% -19% in the Hungarian technical consumer goods market (2nd largest). The Company is operating over 30 years on the local market with more than 1000 employees.

Vöröskő Ltd. is a member of Euronics Group, the world’s largest consumer electronics retail network selling technical products for mostly B2C customers. There is no ownership overlap between the members of the international Euronics, the group was organized on the basis of a common brand name and coordinated purchases.

Euronics is the leading consumer electronics retail group in the EMEA and CIS regions, representing independent retailers in 35 countries with more than 8,500 outlets, bringing innovative electrical products to consumers via a universal omni-channel approach.

Euronics functions as a leading international electrical retail group on behalf of its members and is based in Amsterdam. It operates as a European Group of Economic Interests entity ("Groupement européen d'intérêt économique" = GEIE), meaning that all stores are independent sellers, however the members align their purchases.

Euronics customers benefit from the common purchasing power of Europe's biggest dealers group, which ensures fair prices and access to the most innovative products of the top brand manufacturers combined with very competitive purchase prices and bonuses.

## Facts and figures



**67** stores nationwide



**70+** billion HUF turnover in 2020



A total of **1000+** people employed



**233%** increase in online sales in 2020



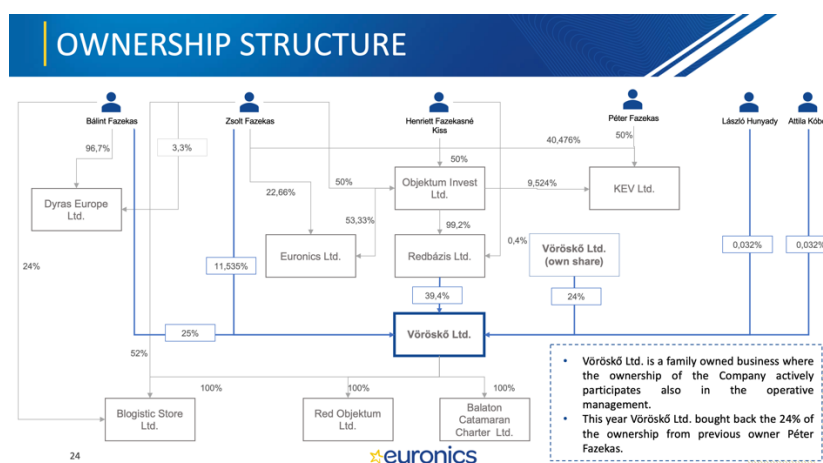
**30+** Years of experience



**150 – 200** active suppliers

2. Figure Facts and figures about Vöröskő Ltd.

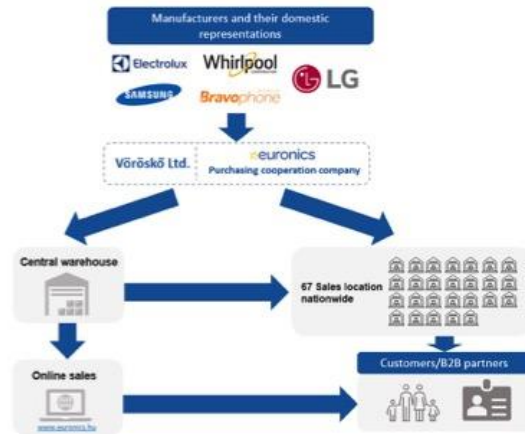
## Corporate structure



3. Figure Ownership structure

## Core business

The Company has 3 divisions, the stores network, the online sales channels and the B2B sales (minority). The majority of the revenue comes from the stores (appr. 85-90%), but online sales becomes more and more important: in 2020 appr. 11%, in 2021/H1 already 15% comes from this sales channel.

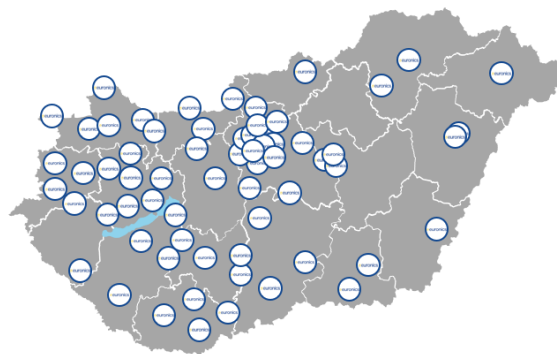


4. Figure Business model of Vöröskő Ltd.

Vöröskő Ltd. is mainly engaged in the retail of technical consumer goods, small and large household appliances and electronic products. It operates through a nationwide store network: currently in 63 cities all together having 68 stores covering the whole country, supplemented by online sales.

Vöröskő Ltd. purchases the products directly either from the producer itself, or from the domestic importer of the product. In all cases, depending on the agreement, the importer delivers the product either to the central warehouse or directly to the stores. In the case of online sales, delivery is made from the central warehouse to the address or package collection point provided by the buyer.

## Retail points in Hungary

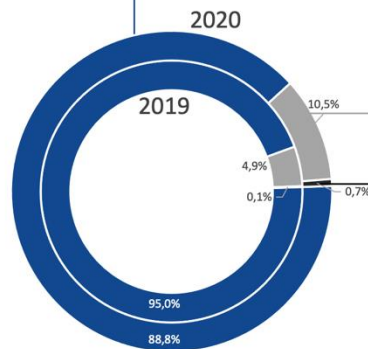


5. Figure. Vöröskő Ltd. in Hungary

As additional activity Vöröskő Ltd. sells warranty extensions for the products (this is essentially the brokerage of an insurance product) and also provides as broker consumer credits to customers from several financial institutions. (e.g. CETELEM, Provident)

### Offline revenue – Store network

- Each year, the majority of the Company's sales (over 95%) come from offline sales through a nationwide store network with B2C customers.
- The share of the division's sales has decreased a little in recent years due to the growing online sales, however nominally each segment is increasing.
- In 2020, despite the COVID-19 caused pandemic the segment's sales revenue increased by 2%, it was HUF 57.3 billion.



### Online sales

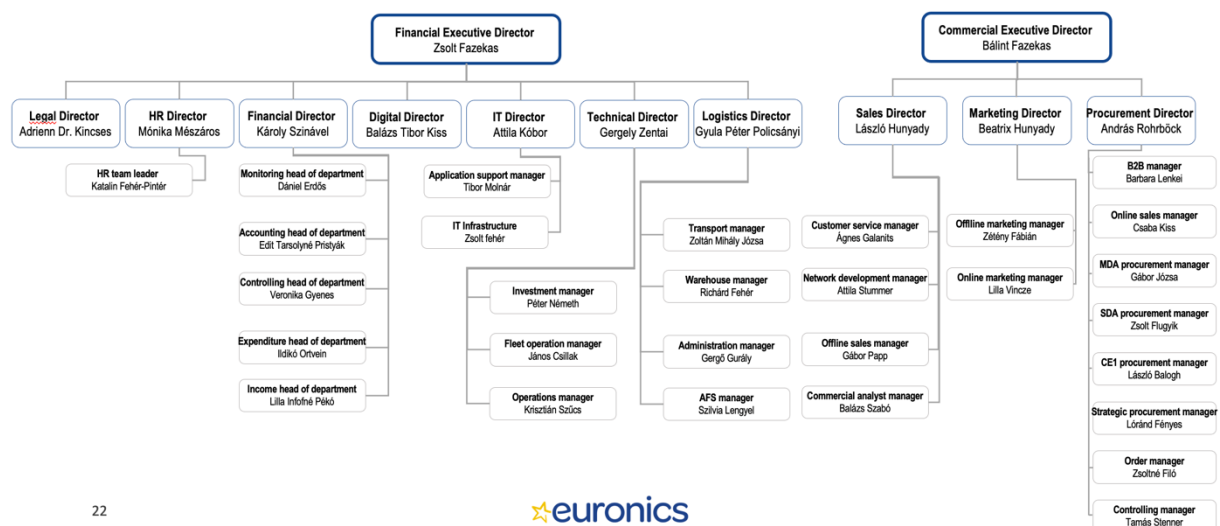
- In 2020 approximately 10.5% of annual sales come from online sales.
- In 2020, the segment's sales revenue was almost HUF 6,8 billion.
- In 2020 the sales through online channels grew by 233%.

### B2B sales

- The minority, in 2020 0.7% of annual sales come from B2B sales.
- The division's sales come from serving larger business customers.
- In 2020, the segment's sales revenue was almost HUF 446 million.

6. Figure Business breakdown

## 1.2. Leadership and Governance



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7. Figure Organization of Vöröskő Ltd.

The management of Vöröskő Ltd. consists of 2 executive directors and 10 functional directors. One of the executive directors is head of the commercial affairs and includes sales, marketing and procurement. The other manager is head of financial issues and includes legal, HR, Financial, as well as IT and technical issues, and logistics.

The 10 functional (area) Directors are, as appropriate, the primary professional managers of the functional area to which they belong, with all the tasks, responsibilities and powers that are attributed to them, as appropriate.

One of the Directors is in charge of the Directorates of Sales and the other of the Directorates of Service Organisations

## **Corporate governance structure of Vöröskő Ltd.**

Management and owners are separated. The decision making is based on the following principle:

- **Responsibilities of the owners:**
  - Ownership tasks are limited to the performance of tasks arising from the relevant applicable legal regulations and the articles of association.
- **Management:**
  - Two executive directors and ten functional (expert) directors make up the management team.
  - Project implementation and management
  - Implementing the accepted development strategy
  - Reconciling business matters, managing key accounts / stakeholders
  - Issuing potential strategic proposals to the board

### **Further corporate governance elements**

- Tasks of the Supervisory Board: Its basic task is to control the regular and lawful operation of the Company in accordance with legal regulations and expectations.
- Integrated international used ERP system for monitoring and mitigating business risks, monitoring global tendencies, the Company uses SAP Business One management software.

Since 2019 several senior executives with international, multinational corporate experience joined Vöröskő Ltd's management team, and the resulting knowledge transfer is also an important driver of the company's long-term growth.

## **1.3. Customer profile**

The customers of Vöröskő Ltd. are basically (98%) are private persons therefore category of TOP 5 customers is not relevant. Number of customers of Vöröskő Ltd. with Euronics branding in Hungary can be estimated cc. 100 000 persons.

## **1.4. Supplier profile**

Vöröskő Ltd's suppliers are internationally well-known manufacturers and their domestic representations such as Electrolux, Samsung, LG etc. The supplier side is also very well diversified, as there are over 150 different companies, with whom the Company works together actively. The business relationship with suppliers dates back an average of 25 years. The Company has a resale option for suppliers, e.g. the supplier is obliged to repurchase the goods in case of insufficient sales quantity. In all cases, the suppliers must provide the warranty rights and service background required by Hungarian and EU legislation. Vöröskő

Ltd. has the availability to use more than 5 billion HUF bank overdraft, which gives the Company extra security, however the utilisation is rather low due to the business model.

Top suppliers 2020			
	Net value (Mio HUF)	Share (%)	Start of the relationship
Electrolux	7 679	10,8%	1995.01.01
Samsung	7 285	10,2%	1996.01.01
LG	7 247	10,2%	2002.11.01
Whirlpool	4 861	6,8%	1996.01.01
Bravophone	4 680	6,6%	2011.12.01
<b>SUM Top 5</b>	<b>31 751</b>	<b>44,6%</b>	

8. Top 5 suppliers of XY Zrt. in 2020 (Thousand HUF)

In 2020, the Company's TOP 5 suppliers represented a total value of more than HUF 31,7 billion (44,6%). Supplier portfolio is well diversified, dependency on each supplier is insignificant, as they cooperate with several partners in each product type. High, centralised ordering quantities ensure extra supplier bonus.

## 1.5. Awards of Excellence

Every year the Superbrands award is granted to the best brands operating in Hungary on the basis of a comprehensive survey carried out by the independent Superbrands research team. The brand database, which is constantly maintained from various sources (e.g. trademark database, trade unions), is further filtered by independent list of the strongest brands based on professional criteria, GfK measurements and Bisnode risk index. The award will ultimately be decided by a non-branded professional committee<sup>1</sup>.

In 2018, the Superbrands Hungary Expert Committee awarded Euronics Technical Department Store Chain with its fourth recognition.

Since Vöröskő Ltd. was founded the company has applied for and won various times the Excellence in Customer Service Award. Based on customer feedback and the practical implementation of modern and expected customer service standards, the Award provides an objective view of the customer service quality of the given company. These awards recognise a company's customer service performance. In 2018, Euronics won the Popularity Award in the technical consumer goods category of the annual Shop of the Country (Az Ország Boltja) competition, which is awarded on the basis of customers' votes.



<sup>1</sup> Source: <https://hungary.superbrands.com/home-page-mobile/>



## 1.6. Corporate Social Responsibility (CSR)

Vöröskő Ltd., as the largest Hungarian-owned technical consumer goods trader shares its results with its employees. The company has been operating successfully and continuously in Hungary for 32 years. The company's priority is to be a reliable employer striving for long-term cooperation with its employees. By no coincidence a great number of its employees have been working as Euronics experts for more than 30 years. The management of Vöröskő Ltd. is convinced that its consumers primary need is to be served by expert salespeople who offer the technical equipment that best suits their needs. The company constantly trains its colleagues to keep up to date with the latest trends, and they also take quarterly exams from modules that can be taken in distance learning. The company regularly rewards employees' commitment, perseverance and motivation with a competitive base salary and benefits, as well as excellent performance-based extra bonus and a half-yearly loyalty reward. The company operates an outstanding bonus and motivation system, which allows colleagues to significantly increase their salary in case of good performance.

Besides social responsibility for employees Vöröskő Ltd. pays attention to social responsibility issues that offer opportunities outside the company. One of these social activities is supporting sport, so the company has been participating in the support of the Telekom Veszprém KC men's handball team for 25 years now. In addition to sports sponsorship, Vöröskő Ltd. also provides assistance to those in need: it has contributed to the improvement of the living conditions of children and families by donations and charitable fundraising. Through the *Jótűndér Foundation*, the company has been helping disadvantaged children living in deep poverty in order to reduce the burden on their parents. The company fought to reduce social inequalities, prevent poverty and provide financial security for those in extreme poverty by supporting and education programmes and campaigns.

It is already a tradition that at the end of each year, the company donates food, technical products and household appliances to several families in need making their everyday life easier. In addition, the company has provided support to the victims of natural disaster, as well as to the hospital in Veszprém, and its intend to continue its social activities in the future.

Nowadays, children are almost born with a mobile phone in their hands, so internet safety is also an increasingly burning issue. Therefore Euronics has been organizing a catch-up and outreach program on digital illiteracy since 2016. The programme will be extended to further cities in the future. Initially the support campaign was launched with the involvement of primary schools. During the interactive lectures, students can get information about the development, use and future of the Internet; the authenticity of the news; the issue of data security and "cyber bullying" and the production of appropriate and creative content.

## 2. Sustainability approach

### 2.1. Sustainability approach of Vöröskő Ltd.

The owner and managers are committed to long term sustainability. The company's philosophy is very simple. Vöröskő strives to operate as a company with a family atmosphere where customers are always welcomed, cared for, their needs are listened to and their questions are answered in an expert but easy to understand way. The company's operating procedures are governed by a set of company policies that cover all areas. Vöröskő Ltd. has trained sales staff with extensive product knowledge, a skilled customer service team, and an extended range of services. Customers can count on the company representing Euronics in Hungary whether it's online shopping, customer service, expert advice or installation.

Recognizing the importance of sustainability Vöröskő Ltd. has continuously implemented modernization projects. In recent years the company improved its IT system and entire server capacity significantly increasing its security level. The developed IT system provides a professional environment for a much more modern, flexible business operation of a dynamic company that is aware also of its environmental and social impacts.

In its waste management Vöröskő Ltd. is operating responsibly and intends to further modernize its logistic system by the implementation of the latest waste processing machine in the new warehouse. Since the very beginning of its business operation Vöröskő Ltd. is responsibly and sustainably dealing with e-waste collecting old and already out of use electrical household appliances from customers. These appliances are handed over to specialized companies dealing with the recycling of useful components and materials in e-waste.

Developments are continuous and Vöröskő Ltd. is constantly working on systems that will allow an even more sustainable business operation model. In this sense Vöröskő Ltd. is cooperating with the Pannon University in Veszprém (Hungary) in a research development project aiming CO<sub>2</sub> footprint issues in trade activities with the purpose to scientifically support and elaborate optimized and modernized logistics mechanisms with reduced environmental impacts.

The research development project's objective is to find ground-breaking solutions for the optimization the use of industrial size product production and raw material production resources with innovative methods. In the research programme experts aim to develop a smart logistics value chain management system that is applicable the most widely possible, generally in most industry sectors and actors. The specific goals are to establish a general monitoring platform, which examines the possibility of optimal use of critical technology-related, environmental resources (water, energy) through changes in biomass / raw material / product in large-scale commercial systems and industrial facilities (e.g. precision livestock farms). Other goals are the optimization of energy flows in industrial installations (design and sizing) to reduce carbon footprint, and the development of an intelligent, predictive, logistics

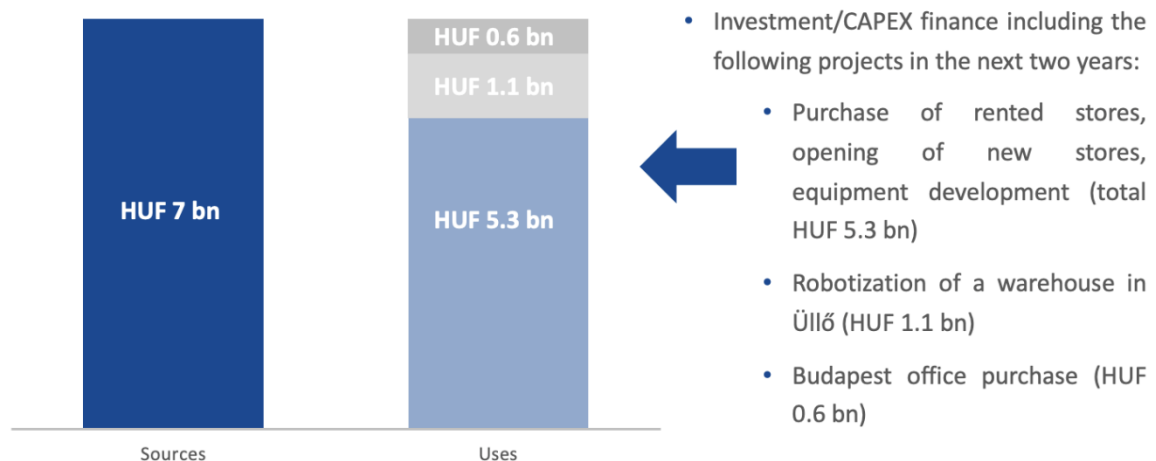
value-chain supporting system to reduce carbon footprint and increase resource efficiency, and finally the design of an optimized energy storage and emergency energy mobilization protocol in an industry-specific technological environment to reduce energy consumption and energy loss. By achieving these goals, the research team strives to significantly improve the economic efficiency of large- scale industrial raw material production (rearing/farming) and user facilities by reducing the negative environmental impacts.

## 2.2. Strategic approach to sustainability

Vöröskő Ltd. intends to improve its sustainability approach incorporating it in the company's overall objectives and business strategy and clearly communicate these environmental sustainability objectives to stakeholders and investors. Since Vöröskő Ltd's new development projects provide clear environmental benefits, the company decided to implement its new investments financed by green bond instruments in alignment with the four core components of the ICMA Green Bond Principles (GBP) in the Energy efficiency eligible Green Project category as described under the component Use of Proceeds and Process for Project evaluation and Selection.

## 3. Green Bond - Rationale for Vöröskő Ltd. to Issue a Green Bond

Vöröskő Ltd's main objective with the issuance of the Green Bond is to finance acquisition of rented stores, building new stores, as well as the robotization of warehouse in Üllő and Budapest office purchase projects. The 30.000 m<sup>2</sup> warehouse will operate automatically/semi-automatically and will provide goods for the web shop and for the shops nationwide.



### Main conditions of bond issuance

- Total nominal value: maximum HUF 7 Bn
- Maturity: ten years (2021-2031)
- Method of repayment: amortizing repayment (in the 5th-9th years) yearly 10% repayment and in the last year 50% (balloon) repayment
- Method of interest: fixed interest rate (4.0% interest p.a. as planned) and interest payment instalment once a year

- The purpose of using the funds involved: investment/CAPEX finance
- Standard covenants are planned

### 3.1. Use of proceeds

As introduced in point 2.2. *Strategic approach to sustainability* Vöröskő Ltd evaluates its new development projects as providing clear environmental advantages. In order to underpin the environmental benefits of these new projects as organic part of a strategic sustainability approach of the company and to express company level sustainability commitments through Green Bonds Vöröskő Ltd. evaluated the potential alignment of the new projects with the eligible Green Project categories of the ICMA Green Bond Principles (GBP) and inserted them in the Energy efficiency eligible Green Project category according to the selection criteria supported by the examples in the very same Green Project category of the cited document. The selection criteria are as follows:

USE OF PROCEEDS IN ENERGY EFFICIENCY ICMA GBP ELIGIBLE CATEGORY				
Project part	Issuer	Meeting GBP categories	Example in the category	Environmental objectives
Acquisition of rented stores	Vöröskő Ltd.	Energy efficiency	Refurbished buildings	Climate change mitigation
Building of new stores	Vöröskő Ltd.	Energy efficiency	New buildings	Climate change mitigation
Robotization of warehouse in Üllő	Vöröskő Ltd.	Energy efficiency	Smart appliances	Climate change mitigation
Budapest office purchase	Vöröskő Ltd.	Energy efficiency	New buildings	Climate change mitigation

#### 2.2.1. Acquisition of rented stores

Vöröskő Ltd. operates its stores in 68 rented facilities with the aim of buying some of them out. Ownership of stores provides several advantages, stores in own property can be improved from the point of view of energy consumption, renewable energy source solar panels can be implemented. Vöröskő intends to buy out about half of the stores, however negotiations will start only after bond issuance. The actual projects will be selected based on business opportunities, however Vöröskő Ltd. undertakes increasement of energy efficiency of the buildings and will increase the energy efficiency of purchased facilities by 30%.

The renovation of existing buildings to increase their energy efficiency makes a substantial contribution to climate change mitigation by reducing energy consumption and GHG emissions for the remaining operational phase of the buildings, and by avoiding emissions that would be associated with the construction of new buildings.

The thresholds used to assess the renovation rely on either the respective metrics set in the applicable building regulation for 'major renovation' transposing the EPBD, or, in the case of relative improvement, on Primary Energy Demand (PED) defined as follows: the annual

primary energy demand associated with regulated energy use during the operational phase of the building life-cycle (i.e. 'module B6' according to EN15978), calculated ex-ante according to the national methodologies for asset design assessment, or as defined in the set of standards ISO 52000, expressed as kWh/m<sup>2</sup> per year.

A renovation is eligible when it meets either one of the following thresholds:

- a) Major renovation: the renovation is compliant with the requirements set in the applicable building regulations for 'major renovation' transposing the Energy Performance of Buildings Directive (EPBD)
- b) Relative improvement: the renovation achieves savings in net Primary Energy Demand of at least 30% in comparison to the baseline performance of the building before the renovation. The baseline performance and predicted improvement shall be based on a specialised building survey and validated by an accredited energy auditor. The methodology used for the measurement of floor area must be declared by referring to the categories established by the International Property Measurement Standard.

#### 2.2.2. Building of new stores

Parallel to the objective to the purchase of rented stores Vöröskő Ltd. intends to transfer its stores in newly built facilities in order to reduce and monitor energy demand of its business activity. Where purchase of rented store facility is not possible and energy demand cannot be reduced due to contractual circumstances with the facility's owner, Vöröskő Ltd. plans to evaluate the building of a new store building in order to achieve its sustainability objectives.

Newly built store facilities will be realized according to national and international standards and regulations regarding environmental performances. Newly built stores will meet the near-zero energy building requirement level defined by Annex 6 of 7/2006. (V. 24.) TNM directive and all future amendments.

#### 2.2.3. Robotization of warehouse in Üllő

Presently the warehouse function is facilitated by three different rented warehouses, where lease will be terminated. Vöröskő Ltd's main objective is to establish an almost 20,000 m<sup>2</sup> warehouse base in the company's own operation, which will provide the stock for 68 stores and also the dynamically growing web shop division. The warehouse will contribute to the modernisation and enhancement of the company's logistics activities through the acquisition of high-quality, professional and innovative equipment. The automatized/semi-automatized warehouse will operate with electric forklifts, it will feature a waste processing machine facilitating recycling and an up-to-date shelving system for optimal logistic operations. The robotization of the warehouse will increase energy efficiency.

The main sources of energy efficiency increase are:

Material handling machines: lead-acid battery instead of Lithium-ion battery

Traditional lead acid compared to the battery:

- 35% less lost energy due to heat effects
- 40% lower battery weight means moving a smaller load and less energy needed
- 3x longer service life-time

Material flow processes - Fewer trips due to consolidation: As a result of combined commissions of in-store orders the journeys with handling machines will reduce by 40%, so the energy consumption during commission will be significantly smaller.

Waiting time of vans will be reduced:

- Loading gate numbers will be optimized.
- The optimal loading gate number waiting times per flight will be 5 minutes less
- It results in reduction of significant CO2 emissions and in noise reduction on an annual basis for ~4000 flights

Freight optimisation - Improving the utilisation of lorries: According to in-store orders with flight management vans' capacity usage can be improved by ~20%. This results in 10-20% CO2 emission reductions.

Increasing the number of Li-ion forklifts as handling machines: using Li-ion batteries will result in a significant reductions in energy consumption

#### 2.2.4. Budapest office purchase

Purchase of a new office for Vöröskő Ltd. Budapest headquarter contributes to the sustainable operational business activity of the company. With the selection of the new facility the company is committed to choose a newly built office building meeting the national and international standards defined by Annex 6 of 7/2006. (V. 24.) TNM directive and all future amendments.

### 3.2. Project Selection and Evaluation Process

Ensuring compliance with the Green Bond Framework Vöröskő Ltd. is committed to ensure transparent, written record of internal procedures and practices for the use of green proceeds. The management has established a Green Committee chaired by the member of the Board harmonized with corresponding provisions of other corporate rules. The Committee meets at least quarterly.

The Green Committee is composed of a Board Member, the CFO and the Technical Director. An invited environmental expert is involved as needed. The Board member is appointed as Chief Green and Sustainability Officer.

The Green Committee is responsible for the development of the Company's Green strategy and its objectives (e.g. ESG and sustainability strategy, greening of the Company's internal operations, green strategic cooperation, etc.) and for the monitoring of the implementation of the Green Strategy and application of general aspects of sustainable development targets in all processes of the company.

The committee initiates and supervises the introduction and implementation of the Green Bond Framework, selects the Green Bond Framework verification, second party opinion

experts depending on the form of external review required. It supervises the compliance of the green bond framework, initiating the revision, amendment and renewal of the framework, if necessary. The committee is responsible for the dissemination and enforcement of green practices in the operation of the Company. The Committee identifies and manages the social and environmental risk associated to the Projects taking measures to reduce negative environmental impacts.

The Green Committee advises about the compliance with the Green Bond Framework in the case of specific investment proposals. Furthermore, the Committee advises on decisions, supervises the selection of projects, acquisitions and investments and reviews the allocation of funds.

For the selected projects and/or acquisitions, Board Members and invited expert members are responsible for ensuring the compliance with the requirements for the Use of Proceeds, preparing the audit documents and gathering the necessary evidence to facilitate the external audit check.

The Green Committee supervises the alignment of the use of the funds to the Green Bond Framework. A list of the potential Green Projects is to be presented to the Green Committee.

The committee is responsible for the decision to acknowledge the project as green, in line with the Green Bond criteria. A decision to allocate net proceeds requires a majority decision by the Green Committee. The decisions made by the Green Committee are documented and filed.



The Green Committee controls the use of green resources - allocation and targeted environmental impact- and will monitor the development of green KPIs and the achievement of the set goals (in accordance with the financial and controlling regulations). In matters requiring special sustainability expertise, the committee will require the involvement of an external expert.

The Green Committee will ensure the development of monitoring and reporting procedures related to the use of green proceeds, with special attention to the Allocation Report and Impact Report.

A Green Register (separated account in the accounting) kept by the Finance Department tracks that an amount equal to the Green Bond net proceeds is allocated to Green Projects. The purpose of the Green Register is to ensure that Green Bond net proceeds only support the financing of Green Projects or to repay Green Bonds. The management of proceeds will be reviewed by auditors yearly.

The issuer's environmental sustainability objective with the above detailed eligible Green Project is to achieve energy efficiency by the reduction of energy demand of its business activity. Project selection is determined by the projects' alignment with Use of Proceeds Chapter of GBP and thus the use of green bond instruments will be implemented in the Energy efficiency GBP Green Project category including new and refurbished buildings, smart appliances.

During the evaluation of the new projects Vöröskő Ltd's decision makers had also taken in consideration all the material risks of negative social impacts. In alignment with the Company's approach to social responsibility Vöröskő Ltd. is committed to employee retention and as a mitigant to the rearrangement of positions inside the warehouses the Company offers new positions and job opportunities to the 100% of the employees affected by the investment. As complementary processes by which the issuer identifies and manages perceived social and environmental risks associated with the eligible project Vöröskő Ltd. identifies SDG Goal 7, and 13 summarized in the following table:

PROJECTS MEETING ICMA GBP ENERGY EFFICIENCY ELIGIBLE CATEGORY RELATED TO SDGs		
	<b>Goal 7: Affordable and clean energy</b> Ensure access to affordable, reliable, sustainable and modern energy for all	
<b>Target 7.3</b> By 2030, double the global rate of improvement in energy efficiency	<b>Indicator 7.3.1</b> Energy intensity measured in terms of primary energy and GDP	Acquisition of rented stores Building of new stores Robotization of warehouse in Üllő Budapest office purchase
	<b>Goal 13: Climate action</b> Take urgent action to combat climate change and its impacts	
<b>Target 13.2</b> Integrate climate change measures into national policies, strategies and planning Indicators	<b>13.2.2</b> Total greenhouse gas emissions per year	Acquisition of rented stores Building of new stores Robotization of warehouse in Üllő Budapest office purchase

### 3.3. Management of Proceeds

The Issuer intends to keep the net proceeds of the Green Bond as fixed-term deposit as long as not invested in a project.

The net proceeds of the Green Bond will be kept in a separated countability. So long as the Green Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to the Green Project carried out during that period. The Issuer commits to communicate to investors the intended types of temporary placement for the balance of unallocated net proceeds.

In order to assure the highest level of transparency the Issuer commits to supplement the management of proceeds by the appointment of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond.



Any decision regarding the management of the funds from the Green Bond belong to the Green Committee's competencies and duties and will be stated in reporting until full allocation. The Green Committee will monitor and supervise regularly the use of proceeds in alignment of the Eligible Project and will publish by each year the net proceeds of the issuance reduced by the amount of proceeds invested in the Eligible Project in the reported period.

The present Green Project involves Vöröskő Ltd.

The Issuer and investor is Vöröskő Ltd.

### 3.4. Reporting

In accordance with the Green Bond Principles, Vöröskő Ltd. will provide an annual update on the activities related to its Green Bonds issuance. In such updates the Company will provide information on the allocation of the use of proceeds as well as relevant impact metrics.

Within one year of issuance, and annually thereafter until full allocation of an amount equivalent to the net proceeds of the Green Bond as well as in the event of any material changes, Vöröskő Ltd. will publish (i) an Allocation Report and (ii) an Impact Report via Vöröskő Ltd. website: <https://euronics.hu/about>

#### **The relevant information provided will include:**

- Use of Proceeds
- A breakdown of proceeds in relation to Eligible Projects
- The amount of unallocated proceeds
- A closer description of the activities financed.

#### **Allocation Report**

Proposed indicators:

- Proportion of green investments in the corporate portfolio: Green rated investments / Total investments (%)
- Green proceeds utilization: Green bond proceeds used / Total green bond proceeds (%)
- Use of green proceeds by environmental purpose: Distribution of green proceeds used between categories defined in the Green Bond Framework (%)
- Other relevant indicators

#### **Impact Report**

The Impact report will illustrate the expected and achieved environmental impact made by the new investments to which green bond proceeds have been allocated. It will be based on ex-ante estimates (calculated prior to project implementation) considering previous status for a representative year before the individual project is completed and operating at normal capacity. The calculation will be made by the individual projects comparing the impacts before the project had been started with the impacts after implementation.

The calculation will compare the estimated specific energy consumption and GHG emissions.

The Impact Reporting will include Performance Indicators (see table below) to present the environmental impact of the planned investments. Vöröskő Ltd. is ready to undertake to target the lowest emissions and increasing savings, avoiding increase of negative impacts.

The impact indicators will be measured and monitored regularly and published for assuring transparency of Vöröskő Ltd's commitment to sustainable and green activities.

Monitoring of CO<sub>2</sub> reduction and of energy consumption will be incorporated in the Company's ERP system.

As part of Vöröskő Ltd's annual audit process, the internal monitoring system will follow the use of green resources and the results will be presented to the auditor. The figures about the use of Green Bond Proceeds, with respective descriptions and the amounts utilized, will also be available in the Company's Annual Report and published on the website.

<b>GBP Eligible Category as per GBP 2021</b>	<b>Use of Green Bond proceeds</b>	<b>Impact Indicators</b>
<b>Vöröskő Ltd.</b>		
Energy efficiency	Acquisition of rented stores	Saved energy consumption kWh / year CO <sub>2</sub> equivalent avoided or reduced t/ year
Energy efficiency	Building of new stores	Saved energy consumption kWh / year CO <sub>2</sub> equivalent avoided or reduced t/ year
Energy efficiency	The robotization of warehouse in Üllő	Saved energy consumption kWh / year CO <sub>2</sub> equivalent avoided or reduced t/ year
Energy efficiency	Budapest office acquisition	Saved energy consumption kWh / year CO <sub>2</sub> equivalent avoided or reduced t/ year

## 4. External Review and Assessment

Vöröskő Ltd. appointed Deloitte Zrt. to provide a Second Party Opinion on the Green Bond Framework, evaluating its alignment with the Green Bond Principles 2021 guidelines. The result is to be documented in a Second Party Opinion, which will be presented in the Vöröskő Ltd. website together with the Framework.

The process to establish this Green Bond Framework for Vöröskő Ltd. was conducted by Credit Management Group, acting as advisors in the creation of the Green Bond Framework.

Vöröskő Ltd. will procure a pre-issuance external review of its Green Bond Framework, which will be published to stakeholders on Vöröskő Ltd. website at <https://euronics.hu/about>.